GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1034
ANSWERED ON:30.07.2010
FLOW OF CREDIT TO VARIOUS STATES
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Will the Minister of FINANCE be pleased to state:

(a) the efforts made by the Union Government so far to ensure equitable and smooth flow of credit to all sectors of the economy;

(b) whether the Government has recently convened a meeting with Chief Ministers of various States and Union Territories and Chief Executive of various Public Sector Undertakings (PSUs) in this connection; and

(c) if so, the details thereof and decisions arrived thereat?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) With a view to ensure equitable and smooth flow of credit to various sectors of the economy, the Reserve Bank of India has issued guidelines to all scheduled commercial banks on lending to priority sector. Detailed guidelines are available on RBI site at www.rbi.org.in Presently, the broad categories of priority sector for lending by all scheduled commercial banks include: Agriculture, Micro and Small Enterprises (MSE), Micro Credit, Educational Loans and Housing Loans upto Rs. 20 lakh.

The export sector forms part of priority sector for foreign banks operating in India.

An overall target of 40% (of Adjusted Net Bank Credit (ANBC) or credit exposure of off Balance Sheet items, whichever is higher) for Priority Sector Lending (PSL) for domestic scheduled commercial banks has been set. Sub -target for agriculture and weaker sections have aiso been set at 18% and 10% of ANBC respectively.

For foreign banks, the overall target is 32% of ANBC and targets for lending to MSE and export sectors have been set up at 10% and 12% respectively.

(b) & (c) The Government has convened Zone wise meetings under the Chairmanship of the Finance Minister with Chief Ministers of States/Administrators of Union Territories(UTs) and Chief Executives of Public Sector Banks (PSBs) to review the progress made by PSBs under various sectors. During these meetings flow of credit to different sectors of the PSL, progress under Financial Inclusion, Government Sponsored Scheme, credit deposit ratio etc. were reviewed.

The banks have been directed, inter-alia, to increase the number and account of Kisan Credit Cards; ensure growth in credit to micro-enterprises; encourage Self Help Groups (SHGs) bank linkage, etc.

Further, the Chief Ministers of concerned States have been advised to closely monitor the financial inclusion plans of State Level Bankers` Committee (SLBC) for coverage of all habitations with population above 2,000 with banking facilities by March, 2012, to monitor that all residents of rural habitations are enrolled by the banks for opening ` no frills` accounts, to see that the SLBC meetings are chaired at senior level with at least one SLBC meeting being chaired by Chief Minister concerned and that the SLBC forum should be utilized to ensure adequate and timely disbursement of loans under the Government Sponsored Scheme.